

MENDON DOWNTOWN DEVELOPMENT AUTHORITY  
ST. JOSEPH COUNTY, MICHIGAN

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

MARCH 31, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Mendon Downtown Development Authority</b>	County <b>St. Joseph</b>
Audit Date <b>March 31, 2004</b>	Opinion Date <b>May 11, 2004</b>	Date Accountant Report Submitted to State: <b>June 30, 2004</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

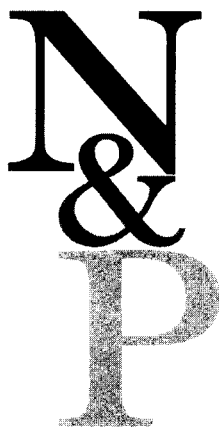
We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>Norman &amp; Paulsen P.C.</b>			
Street Address <b>127 W. Chicago Road</b>	City <b>Sturgis</b>	State <b>MI</b>	ZIP <b>49091</b>
Accountant Signature <b>Michael R. Wilson CPA</b>		Date <b>Michael R. Wilson</b>	

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## INDEPENDENT AUDITOR'S REPORT

Authority Board  
Mendon Downtown Development Authority

**Norman & Paulsen, P.C.**

*Certified Public Accountants*

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We have audited the accompanying general purpose financial statements of Mendon Downtown Development Authority, a component unit of the Village of Mendon, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. The general purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Mendon Downtown Development Authority, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Norman & Paulsen, P.C.*

May 11, 2004

Donald L. Paulsen, CPA  
Patrick J. Monahan, CPA  
Bruce S. A. Gosling, CPA  
Michael R. Wilson, CPA  
Rick L. Strawser, CPA  
Jerrel T. Norman (1941-1982)

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

ALL FUND TYPES AND ACCOUNT GROUPS  
COMBINED BALANCE SHEET  
March 31, 2004

	Governmental Fund Types	Account Groups		Totals (Memo- randum only)
	General	General Fixed Assets	General Long-term Debt	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 468,291	\$ -	\$ -	\$ 468,291
Due from other governmental unit	92,261	-	-	92,261
Due from primary government	75,499	-	-	75,499
Fixed assets	-	60,858	-	60,858
Amount to be provided for retirement of debt	-	-	-	-
Total assets	<u>\$ 636,051</u>	<u>\$ 60,858</u>	<u>\$ -</u>	<u>\$ 696,909</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 10,651	\$ -	\$ -	\$ 10,651
Due to primary government	314	-	-	314
Notes payable	-	-	-	-
Total liabilities	10,965	-	-	10,965
<b>FUND EQUITY</b>				
Investment in fixed assets	-	60,858	-	60,858
Fund balance Unreserved	625,086	-	-	625,086
Total fund equity	625,086	60,858	-	685,944
Total liabilities and fund equity	<u>\$ 636,051</u>	<u>\$ 60,858</u>	<u>\$ -</u>	<u>\$ 696,909</u>

See accompanying notes to financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

ALL GOVERNMENTAL FUND TYPES  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
Year Ended March 31, 2004

	<u>General</u>
REVENUES	
Taxes-Village captured	\$ 75,499
Taxes-Other governmental unit captured	92,260
Interest	<u>2,676</u>
Total revenues	170,435
EXPENDITURES	
Economic development	
Contracted services	1,088
Professional services	750
Supplies	24
Promotions	3,863
Miscellaneous	451
Projects	66,556
Equipment	<u>5,596</u>
Total expenditures	<u>78,328</u>
EXCESS OF REVENUES OVER EXPENDITURES	92,107
FUND BALANCE - BEGINNING OF YEAR	<u>532,979</u>
FUND BALANCE - END OF YEAR	<u>\$ 625,086</u>

See accompanying notes to financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

GENERAL FUND  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended March 31, 2004

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUE			
Taxes-Village captured	\$ 56,000	\$ 75,499	\$ 19,499
Taxes-Other governmental unit captured	62,750	92,260	29,510
Interest	6,500	2,676	(3,824)
Total revenue	125,250	170,435	45,185
EXPENDITURES			
Economic development			
Contracted services	1,200	1,088	112
Professional services	5,750	750	5,000
Supplies	1,200	24	1,176
Promotions	6,250	3,863	2,387
Miscellaneous	900	451	449
Projects	85,100	66,556	18,544
Equipment	9,000	5,596	3,404
Total expenditures	109,400	78,328	31,072
EXCESS OF REVENUES OVER EXPENDITURES	15,850	92,107	76,257
FUND BALANCE - BEGINNING OF YEAR	532,979	532,979	-
FUND BALANCE - END OF YEAR	\$ 548,829	\$ 625,086	\$ 76,257

See accompanying notes to financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The Mendon Downtown Development Authority was established in January 1986, in accordance with Michigan Act 198, 1975. The Authority operates a Board-Chairperson form of government and its basic purpose is to reestablish and maintain the vitality of business in the Village of Mendon.

The accounting policies of the Mendon Downtown Development Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Scope of Reporting Entity:

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", these financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

B. Basis of Presentation - Fund Accounting:

The accounts of the Authority are organized on the basis of fund and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into the fund types and broad fund categories as follows:

**GOVERNMENTAL FUNDS**

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

**ACCOUNT GROUPS**

General Fixed Assets Account Group - This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

General Long-term Debt Account Group - This account group presents the unmatured principal of debt obligations of the local unit, and other noncurrent liabilities that are not specific liabilities of proprietary funds.



MENDON DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - Continued

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

D. FIXED ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the fixed asset and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or financial flow measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a Year. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - Continued

D. FIXED ASSETS AND LONG-TERM LIABILITIES - Continued

The noncurrent portion of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered available spendable resources, since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of long-term loans receivable are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-term Debt Account Group.

Fixed assets purchased and used in Governmental Fund type operations (general fixed assets) are recorded as expenditures in the General Fund at the time of purchase. Capital assets reflected herein are based on appraisals made some time ago, with subsequent additions made at cost.

The two account groups are not funds. They are concerned only with the measurement of financial position, not with the measurement of results of operations.

E. ENCUMBRANCE ACCOUNTING

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal Year-end and outstanding encumbrances at year-end are reappropriated in the next Year. No reservation of fund balance equal to outstanding encumbrances at year-end is required at March 31, 2004.

F. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - Continued

G. BUDGETS

Governmental fund types are under formal budgetary control. Budgets shown in the financial statements were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those contained in the formal budget approved by the Authority Board. Budget appropriations lapse at year end.

H. PROPERTY TAXES

Authority property tax revenues are recognized as revenues in the fiscal Year levied to the extent that they are measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes).

I. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Authority's actual expenditures have been shown on a functional basis. The approved budgets of the Authority for these budgetary funds were adopted to the fund level.

During the year ended March 31, 2004, the Authority incurred expenditures in certain budgetary funds which were in excess of appropriations, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
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NONE

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 3 - CASH AND CASH EQUIVALENTS

The Authority uses financial institutions for cash and cash equivalent purposes, which are in accordance with statutory authority.

The accounts maintained in the financial institutions are checking and investment pool funds.

At March 31, 2004, the carrying amount of the Authority's deposits was \$468,291 and the bank balance was \$468,291. The differences between the balances are the result of checks issued by the Authority but not yet presented for payment. The risk exposure of all cash and cash equivalents at March 31, 2004, is as follows:

Insured	\$	2,388
Uninsured		<u>-</u>
Total cash and cash equivalents	\$	<u>2,388</u>

The Authority's remaining cash and cash equivalents at March 31, 2004, consists of an investment pool, the Government Cash Reserves Fund in the amount of \$465,903, which by definition, are not categorized by risk. The carrying values and market values are the same for these investments.

NOTE 4 - FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance April 1, 2003	Additions	Reductions	Balance March 31, 2004
Land	\$ 36,265	\$ -	\$ -	\$ 36,265
Equipment & furniture	<u>18,997</u>	<u>5,596</u>	<u>-</u>	<u>24,593</u>
Total	<u>\$ 55,262</u>	<u>\$ 5,596</u>	<u>\$ -</u>	<u>\$ 60,858</u>

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 5 - NEW ACCOUNTING PRONOUNCEMENT

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Under the provisions of this GASB standard, which becomes effective for the Authority's year ending March 31, 2005, the Authority will use business type reporting activity (BTA). BTA reporting will require the Authority to present management's discussion and analysis (MD&A) of financial results, a statement of net assets or a balance sheet, a statement of revenue, expenses and changes in net assets, a statement of cash flows, notes to the financial statements, and other required supplementary information. The required basic financial statements described above will be prepared using the economic resources measurement focus and the accrual basis of accounting. Fund financial information is not required for BTA reporting.

Financial reporting under GASB 34 will require reporting fund balance as net assets, reporting tax revenues as non-operating income, changing certain financial statement disclosure formats including the property and equipment, and long-term debt disclosures, and including the MD&A. Management has not yet determined the effect of the implementation of this statement on the Authority's financial statements.